

From: Michael Haggerty
To: Microsoft ATR
Date: 1/24/02 12:57pm
Subject: Microsoft Settlement

To whom it may concern,

The crux of the problem is Microsoft's virtual monopoly on PC operating system software and its abuse of that monopoly. One serious abuse that has not been addressed by the proposed settlement is its charging of exorbitant fees for its operating systems. While it is true that operating system prices have been declining, the decline is far slower than that of the prices of comparable software products. Since the marginal cost of producing software is close to zero, the proper comparison is with other software products that have extremely large unit sales (over which the development costs can be spread). In such a comparison Microsoft's operating systems are found to be considerably more expensive than should be expected. Indirect evidence of its artificially high prices is provided by the unusually high profit margins enjoyed by its operating systems division.

Microsoft's monopoly rents on its operating systems (along with other dirty tricks that have been discussed elsewhere) have enabled it to subsidize the development and marketing of applications in new areas, such as its web browser. By thus financing the "dumping" of new applications on the market at prices far below cost, it is able to crush their competitors in the application market and thereby extend its monopoly to the new area. The consumer suffers via lack of choice, overpriced and poor-quality operating system products, plus the same in each application market once Microsoft has squashed the competition.

As far as I can tell, the proposed agreement does nothing to constrain Microsoft's collection of monopoly rents on its operating systems, nor to prevent the recurrence of the predatory pattern enabled by its lucrative operating system monopoly.

Sincerely,
Michael Haggerty
Software Team Leader
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